

Message Text

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44

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 ABF-01 FSE-00 OPR-02 A-01 AID-05

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00

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R 101855Z DEC 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1372

UNCLAS SANTIAGO 7488

E.O.11652:N/A

TAGS: EFIN AFSP CI

SUBJ: DEVALUATION OF EXCHANGE RATE

REF: SANTIAGO 7210

1. EFFECTIVE DECEMBER 10, CENTRAL BANK DEVALUED BANKERS' RATE FROM 1450 TO 1680 ESCUDOS PR DOLLAR AND BROKERS' RATE FROM 1560 TO 1800 ESCUDOS PER DOLLAR.

2. DEVALUATION IS 15.9 PERCENT FOR BANKERS' RATE AND 15.4 PERCENT FOR BROKERS' RATE, WITH NOMINAL DIFFERENCE BETWEEN TWO NOW 7.1 PERCENT.

3. EFFECTIVE SELLERS' RATE (RATE FOR WHICH CHILEANS BUY DOLLARS) IN BOTH MARKETS IS APPROXIMATELY 2040 ESCUDOS PR DOLLAR.

4. IN CY 1974 THE BANKERS' RATE HAS DEPRECIATED 367 PERCENT WHILE CPI HAS INCREASED 347 PERCENT. SINCE JUNE 5 WHEN BANKERS' AND BROKES RATES WERE EFFECTIVELY UNITED, BOTH RATES HAVE DEVALUED ABOUT 150 PERCENT WHILE CPI HAS RISEN ABOUT 120 PERCENT.

5. COMMENT: MORE RAPID DEVALUATION SINCE JUNE COINCIDES WITH FALLING WORLD COPPER PRICE AND REDUCED CHILEAN FX EARNINGS. EVEN MORE
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DRASTIC DEVALUATION MAY BE REQUIRED IF IMPORT DEMAND IN 1975 IS TO BE

REDUCED TO LEVELS WHICH CHILE CAN AFFORD.
POPPER

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Message Attributes

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